SASKATCHEWAN DEVELOPMENT FUND CORPORATION

AND

SASKATCHEWAN DEVELOPMENT FUND

1987 ANNUAL REPORT

88-03465/

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

AND

SASKATCHEWAN DEVELOPMENT FUND

ANNUAL REPORT

For The Year Ended
December 31, 1987

LETTER OF TRANSMITTAL

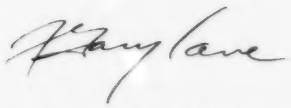
Regina, Saskatchewan.
March 31, 1988.

The Honourable F. W. Johnson,
Lieutenant Governor,
Province of Saskatchewan.

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Development Fund Corporation for the year ended December 31, 1987, including the financial statements therefor, duly certified by Arscott & Partners, the corporation's external auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Development Fund Act, 1974.

I have the honour to be, Sir, your obedient servant,



J. Gary Lane, Q.C.,
Minister Responsible,
Saskatchewan Development Fund Corporation.

CONTENTS

A. Saskatchewan Development Fund Corporation

Board of Directors 5

Chairman's Report 6

History and Current Highlights — 1987 7

Graphical Summaries 8

Auditor's Report 10

Financial Statements 11

B. Saskatchewan Development Fund

History and Current Highlights — 1987 24

Graphical Summaries 25

Auditor's Report 29

Financial Statements 30

ANNUAL REPORT

OF

THE SASKATCHEWAN DEVELOPMENT FUND CORPORATION

FOR THE YEAR ENDED DECEMBER 31, 1987

THE SASKATCHEWAN DEVELOPMENT FUND CORPORATION

BOARD OF DIRECTORS

Mr. M. D. Acton, Q.C., Chairman
Honourable J. Gary Lane, Q.C., Vice-Chairman
Mr. D. Heron
Mr. W. J. Craddock

SECRETARY TO THE BOARD

Mr. I. D. Disbery

GENERAL MANAGER

Mr. W. B. Gibson

INVESTMENT MANAGEMENT

Saskatchewan Department of Finance,
Investment and Financial Services

GENERAL INQUIRIES TELEPHONE NUMBERS

In Regina: 787-1645
Toll free within Saskatchewan 1-800-667-7543

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

CHAIRMAN'S REPORT

The Saskatchewan Development Fund Corporation experienced another successful year in 1987 as the trustee, custodian and manager of the Saskatchewan Development Fund. Over the last three years, the corporation has attempted to streamline general corporate operations and has been very successful in that regard. The current year's financial results indicate the improvements that have been made in both the corporation's financial activities as well as in the administration of the Mutual Fund. These improvements translate not only into more efficient service for our annuitants and shareholders but also into greater monetary distributions to the shareholders' individual accounts.

The results of the Mutual Fund in 1987 continued to set Saskatchewan Development Fund records despite the catastrophic financial events that occurred in October 1987 in the world's financial markets. The Mutual Fund closed the year at another record high share price and the realized earnings per share distributed to the shareholders' accounts remained very high for the second year in a row.

The Board of Directors of the Saskatchewan Development Fund Corporation is satisfied that the corporate plans of the last three years are now firmly in place. However, the Board is also of the belief that it must continue to examine the corporation's operations such that any future opportunities for operational and financial improvement are acted upon in a timely manner.

Murray D. Acton, Q.C.
Chairman

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

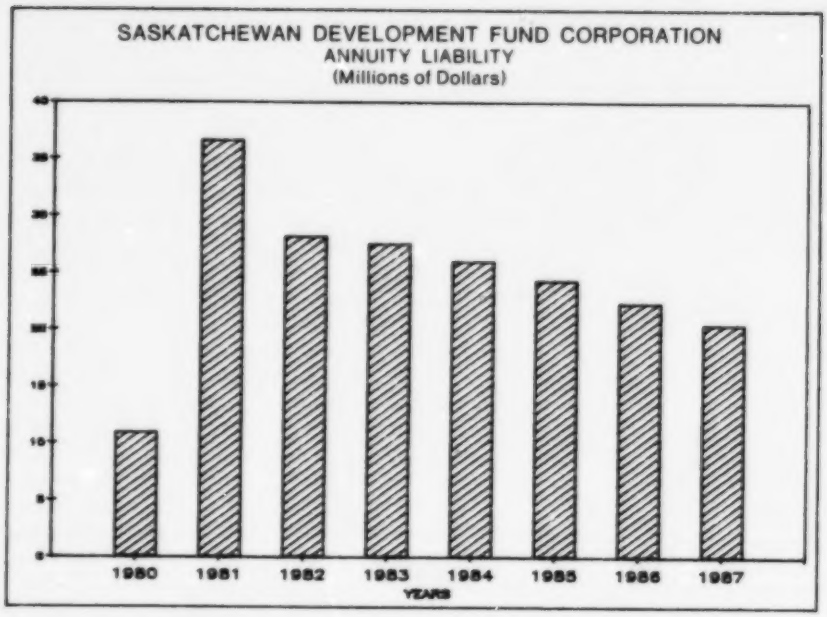
HISTORY AND CURRENT HIGHLIGHTS – 1987

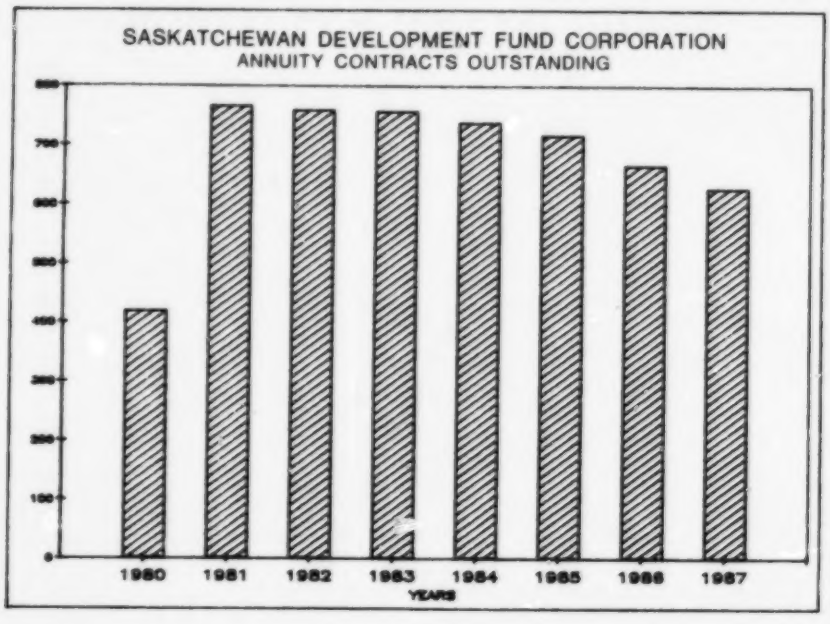
The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in turn received management fees and sales charges from the Fund in exchange for the corporation's services.

In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those wishing to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those desiring an investment vehicle with combined savings and growth potential.

The Corporation continues to manage the affairs of the Saskatchewan Development Fund although it no longer offers annuities to the public. In 1985, the Corporation moved its operations to the offices of the Crown Investments Corporation of Saskatchewan and is now administered by the Saskatchewan Development Fund Corporation's Board of Directors through the use of staff and facilities provided by the Crown Investments Corporation of Saskatchewan.

The Corporation reported net earnings in 1987 of $333 thousand compared to net earnings in 1986 of $387 thousand. Total assets in 1987 were $22.2 million compared to $24.4 million in 1986.


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITY LIABILITY
(Millions of Dollars)
1980
1981
1982
1983
1984
1985
1986
1987
YEARS


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITY CONTRACTS OUTSTANDING
1980
1981
1982
1983
1984
1985
1986
1987
YEARS

MANAGEMENT'S RESPONSIBILITY for FINANCIAL REPORTING in the ANNUAL REPORT

Management has prepared the financial statements of the Saskatchewan Development Fund Corporation in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Arscott & Partners, the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund Corporation.

W. B. Gibson,
General Manager.

AUDITORS' REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Development Fund Corporation as at 31 December 1987 and the statements of earnings and reinvested earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at 31 December 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arscott & Partners

Regina, Saskatchewan
17 February 1988

Arscott & Partners,
Chartered Accountants.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

	1987	1986
ASSETS		
Current Assets		
Cash	$ 25,589	$ 18,556
Short term deposits	1,705,770	1,910,690
Interest receivable	461,669	523,243
Current portion of loans receivable	651,360	653,936
	2,844,388	3,106,425
Loans receivable (Note 3)	10,367,372	11,025,669
Investments (Schedule)	8,962,653	10,287,013
Fixed assets (Note 4)	7,554	10,625
	$22,181,967	$24,429,732
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Accounts payable	$ 29,290	$ 46,240
Due to Saskatchewan Development Fund	20,111	2,104
Dividend payable	332,778	386,622
Current portion of annuities payable	1,850,000	2,100,000
	2,232,179	2,534,966
Annuities payable (Note 5)	18,704,205	20,302,008
	20,936,384	22,836,974
Contingent liability (Note 6)		
Province of Saskatchewan's Equity		
Advances (Note 7)	1,150,000	1,497,175
Reinvested earnings	95,583	95,583
	1,245,583	1,592,758
	$22,181,967	$24,429,732

APPROVED ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF EARNINGS AND REINVESTED EARNINGS

Year ended December 31

	1987	1986
Revenue:		
Interest — investments	$1,295,654	$1,560,493
Interest — loans	1,517,497	1,607,892
Fund management (Note 8)	48,889	62,363
Gain on disposition of investments	204,271	146,294
	3,066,311	3,377,042
Expenses:		
Interest — annuities	2,632,532	2,849,351
Write-down of investments to net realizable value	—	12,338
Salaries and employee benefits	47,423	74,094
Administrative (Note 9)	53,578	54,637
	2,733,533	2,990,420
Net earnings	332,778	386,622
Reinvested earnings, beginning of year	95,583	95,583
Reinvested earnings, end of year	428,361	482,205
Dividend	332,778	386,622
Reinvested earnings, end of year	$ 95,583	$ 95,583

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31

	1987	1986
Cash provided by (used in) operating activities		
Net earnings	$ 332,778	$ 386,622
Add charges (credits) to operations not requiring a current cash payment:		
Amortization of discounts	(31,478)	(31,653)
Gain on disposition of investments	(204,271)	(146,294)
Write-down of investments to net realizable value	—	12,338
Depreciation	3,071	4,345
	100,100	225,358
Net change in non-cash working capital balances related to operations (Note 10)	8,787	581,842
Cash provided by operating activities	108,887	807,200
Cash provided by (used in) investment activities		
Purchase of investments	(2,164,510)	(2,396,368)
Proceeds from sale of investments	3,484,193	3,225,090
Collection of principal on mortgages	240,426	124,435
Purchase of fixed assets	—	(13,507)
Cash provided by investment activities	1,560,109	939,650
Cash provided by (used in) financing activities		
Collection of loans receivable	660,873	608,771
Repayment of annuities	(1,847,803)	(1,991,808)
Repayment of equity advances	(347,175)	—
Dividend	(332,778)	(386,622)
Cash (used in) financing activities	(1,866,883)	(1,769,659)
Net decrease in cash during the year	(197,887)	(22,809)
Cash position*, beginning of year	1,929,246	1,952,055
Cash position*, end of year	$1,731,359	$1,929,246

* Cash position is comprised of cash and short term deposits

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1987

1. Significant Accounting Policies:

The Saskatchewan Development Fund Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments —

Short term deposits

Short term deposits are carried at cost. This valuation approximates their quoted market value.

Bonds and debentures

Investments in bonds and debentures are carried at amortized cost. Discounts and premiums in excess of $1,000 on the investment's purchase date are amortized to income on the straight-line method over the remaining life of the investment.

Shares

Investments in shares are carried at cost less write-downs for any permanent decline in value. Dividends are recognized as income on the ex-dividend date.

Mortgages

Mortgages are carried at amortized cost.

Fixed Assets —

Fixed assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred. Depreciation is provided on the diminishing balance basis at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

No depreciation is taken in the year of disposal. It is expected that these procedures will charge operations with the total cost of the assets less the estimated salvage value over their useful life. Gain or loss on the disposal of individual assets is recognized as income in the year of disposal.

2. Status of the Corporation

The Saskatchewan Development Fund Corporation was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund. In 1976, the Corporation also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, the Corporation ceased to offer new annuities to the public.

The Corporation has been designated by Order-in-Council as a corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

3. Loans Receivable

	1987	1986
Loans receivable at various interest rates, repayable in equal monthly installments until maturity	$11,018,732	$11,679,605
Less current portion	651,360	653,936
Long-term portion of loans receivable	$10,367,372	$11,025,669

4. Fixed Assets

	1987			1986
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and equipment	$ 8,293	$ 7,357	$ 936	$ 1,170
Computer equipment	13,507	6,889	6,618	9,455
	$21,800	$14,246	$ 7,554	$10,625

5. Annuities Payable

	1987	1986
Annuities payable at various interest rates in monthly, quarterly, semi-annual and annual installments until maturity	$20,554,205	$22,402,008
Less current portion	1,850,000	2,100,000
	$18,704,205	$20,302,008

6. Contingent Liability

The Saskatchewan Development Fund Act requires that the Corporation guarantee the difference between the market value of each shareholder's investment in the Saskatchewan Development Fund upon redemption and the value of the shareholders' original investment (net of initial sales charges) including accrued interest on the investment at an annual rate of 5%. This guarantee applies only if the market value of the shareholder's investment is lower than the guaranteed amount.

The guarantee liability under this provision throughout 1987 did not exceed the market value of any investment redeemed in the current year. Therefore the Corporation did not pay any amounts to the Saskatchewan Development Fund's shareholders in 1987 under this provision.

7. Advances

These advances are non-interest bearing and repayable to the Crown Investments Corporation of Saskatchewan (CIC) at its discretion.

During the year, the Saskatchewan Development Fund Corporation repaid equity advances to CIC totalling $347,175.

8. Management Fees

The Corporation recovers the costs it incurs in the management of the Saskatchewan Development Fund (the Fund) by charging the Fund a management fee. This fee is limited by the Saskatchewan Development Fund Act to the lesser of 1¼% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

9. Lease Commitments

The Corporation moved its offices to the premises of the Crown Investments Corporation of Saskatchewan (CIC) on May 15, 1985 and entered into a two year lease agreement with CIC which expired on May 15, 1987.

The lease renewed automatically on May 15, 1987 and continues on an annual basis at the option of the Corporation and CIC.

10. Net Change in Non-Cash Working Capital Balances Related To Operations

	1987	1986
(Increase) decrease in accounts receivable	$ —	$ 13,821
Decrease in interest receivable	61,574	246,979
Increase (decrease) in accounts payable	(16,950)	(57,044)
Increase (decrease) in due to Saskatchewan Development Fund	18,007	(8,536)
Increase (decrease) in dividend payable	(53,844)	386,622
	$ 8,787	$ 581,842

11. Remuneration of Directors

As at December 31, 1987, four persons (1986-four) served on the Company's Board of Directors. The Corporation's directors received $540 (1986-$365) from the Saskatchewan Development Fund Corporation in 1987.

12. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations and with which the Corporation is related.

Account balances resulting from these transactions are included in the statements of financial position and are settled on normal trading terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

13. Comparative Figures

The 1986 comparative figures were examined and reported on by an auditor other than Arscott & Partners.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION
SCHEDULE OF INVESTMENTS
December 31, 1987

Description	Rate	Maturity Date	1987 Market Value	1987 Amortized Cost	1986 Amortized Cost
Provincial and Municipal Bonds					
Saskatchewan	8.75%	Dec. 01/90	$ 962,950	$ 932,524	$ 909,397
B.C. Municipal Finance	10.25%	May 15/99	197,504	176,677	174,625
Nova Scotia Power	9.375%	Jan. 10/03	173,630	198,497	198,397
Ontario Hydro	9.375%	Jan. 25/05	444,845	489,728	489,126
Ontario Hydro	10.00%	May 10/09	370,860	401,421	401,487
Prince Edward Island	10.625%	Apr. 18/04	245,948	250,000	250,000
			2,395,737	2,448,847	2,423,032
Corporate Debentures					
Avco Financial	10.75%	Apr. 02/91	198,450	202,151	202,802
Bank of Montreal	11.75%	Sept. 08/91	—	—	220,345
Central Capital Corp.	9.00%	Dec. 31/90	234,857	242,577	—
C.I.B.C.	12.75%	Sept. 01/88	—	—	450,000
C.I.B.C.	10.25%	Nov. 14/88	—	—	503,556
Consumers' Gas	18.50%	Oct. 01/86-91	304,363	250,000	250,000
Great West Life	12.50%	Nov. 15/88	—	—	500,000
HWR Holdings Inc.	15.50%	Dec. 15/86-91	175,014	155,000	155,000
Inland Natural Gas	18.25%	Nov. 15/86-96	231,159	171,000	185,000
Nabisco Brands	14.00%	Mar. 15/00	—	—	413,000
National Victoria & Grey	9.90%	Jul. 11/91	485,110	485,647	—
Nova, An Alta. Corp.	17.75%	Feb. 15/97	104,917	94,164	101,073
Nu-West Group	11.50%	May 31/99	—	—	53,974
Pacific Northern Gas	18.00%	May 01/97	485,280	360,000	395,000
Royal Bank of Canada	11.55%	Oct. 06/92	516,790	502,004	—
Royal Trust	9.75%	Aug. 28/89	—	—	500,000
Royal Trust	9.875%	Mar. 19/91	491,400	498,405	497,915
Royal Trust	9.90%	Jun. 29/92	436,788	446,869	—
Royal Trust	10.20%	Jun. 19/97	476,270	490,638	—
Simpson Sears	14.75%	Apr. 01/96	107,343	99,450	99,383
Simpson Sears Acc.	12.75%	Jun. 15/00	357,372	327,000	351,000
Stelco	13.50%	Oct. 01/00	312,316	316,256	356,041
Traders Group	9.50%	Jun. 15/91	93,355	91,842	88,613
Victoria & Grey	12.25%	Jul. 22/88	—	—	500,000
West Coast Trans.	12.25%	Jul. 15/00	364,831	348,086	368,136
			5,375,615	5,081,089	6,190,838

SCHEDULE OF INVESTMENTS (continued)

Description	Rate	Maturity Date	1987 Market Value	1987 Amortized Cost	1986 Amortized Cost
Mortgages					
Maritime Life Assurance	13.25%	May 01/90	256,948	247,344	248,256
Morguard Trust	12.00%	Aug. 01/92	100,803	98,436	100,831
Morguard Trust	12.00%	Oct. 01/93	104,774	102,842	104,956
Morguard Trust	10.75%	Jun. 01/88	99,468	99,662	102,014
Morguard Trust	10.75%	Jun. 01/88	99,566	99,760	102,111
Morguard Trust	11.375%	Jun. 01/89	282,909	282,480	288,121
Morguard Trust	11.375%	Nov. 01/94	184,372	185,342	188,845
Morguard Trust	12.875%	Dec. 01/91	330,312	315,072	317,255
Toronto-Dominion Bank	14.75%	Apr. 01/87	—	—	218,975
			1,459,152	1,430,938	1,671,364
Shares					
Nu-West Group Limited (5,647 (1986-5,647) Special Common shares, Class A)			1,807	1,779	1,779
Total all investments			$ 9,232,311	$ 8,962,653	$10,287,013

ANNUAL REPORT

OF

THE SASKATCHEWAN DEVELOPMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 1987

THE SASKATCHEWAN DEVELOPMENT FUND

REPORT TO SHAREHOLDERS

1987

SASKATCHEWAN DEVELOPMENT FUND

HISTORY AND CURRENT HIGHLIGHTS — 1987

The Saskatchewan Development Fund (the Fund) was established in 1974 as an open-end investment trust (mutual fund) under The Saskatchewan Development Fund Act. Over the years, the Fund offered five types of investment accounts to the public. These were registered retirement savings plans (RRSP's), registered home ownership savings plans (RHOSP's), deferred profit sharing plans (DPSP's), registered retirement income funds (RRIF's) and regular shareholder accounts.

In 1983, the Fund discontinued the sale of new shares to the public and became a discontinued open-end mutual fund.

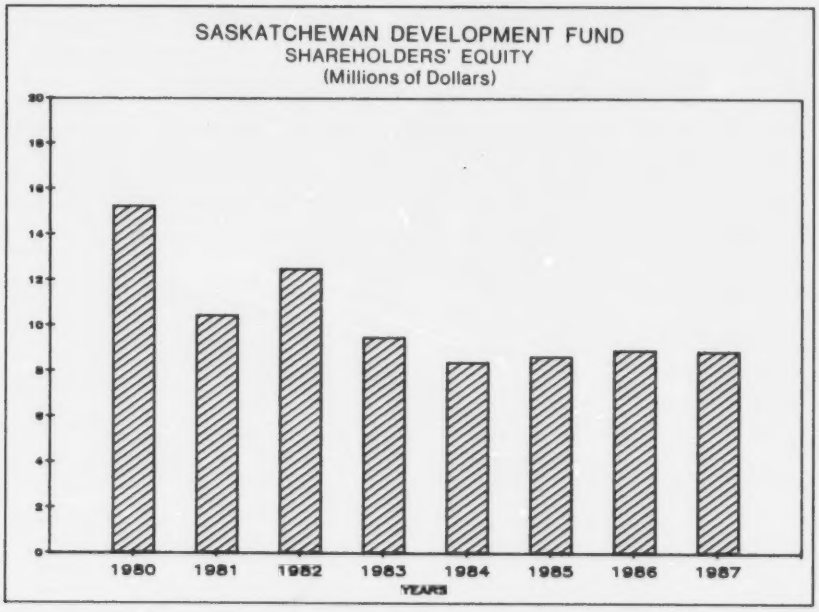
The Fund has been administered since its inception by the Saskatchewan Development Fund Corporation (the Corporation). The Corporation was created initially for this purpose only.

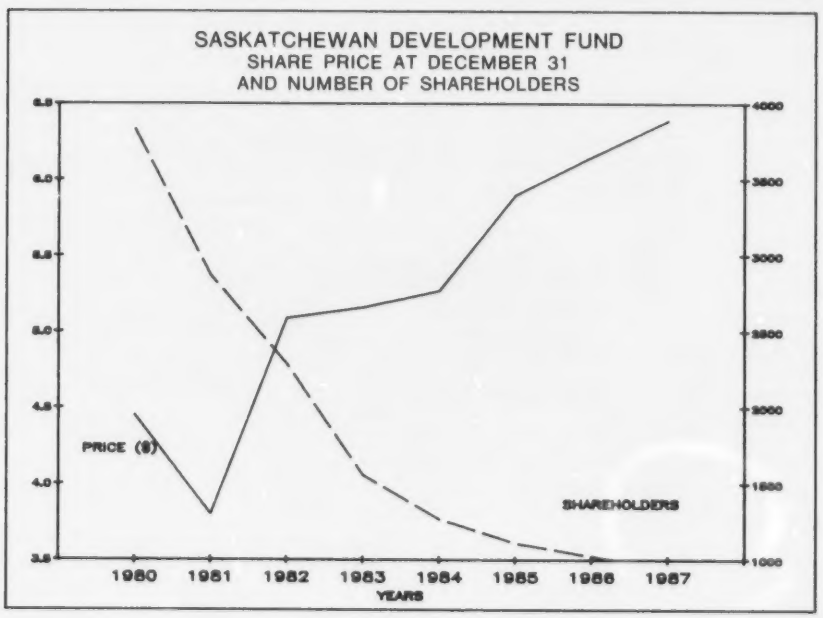
The Saskatchewan Development Fund continued its excellent performance in 1987 rising to a record high share value of $6.63 in April 1987. The uncertainty created by the collapse in the world's financial markets in October 1987 caused a temporary decline in the share value but the Mutual Fund was still able to close the year at $6.39 per share despite the events of the last three months of 1987.

Earnings per share distributed to shareholders in 1987 was 89 cents compared to 1986's 82 cents per share. Strong performances in the equity trading markets in the first half of the year allowed the Mutual Fund to continue its record setting realization of capital gains which substantially improved the distributed earnings figures that have been reported in 1987 and 1986.

The net assets of the Mutual Fund at December 31, 1987 were distributed to shareholders by type of account as listed below. The 1986 comparative figures at December 31 are presented as well.

	1987		1986	
	Market Value	Number of Investors	Market Value	Number of Investors
Retirement Savings Plans	$6,911,048	568	$6,823,288	630
Regular Accounts	1,813,979	355	1,804,186	377
Deferred Profit Sharing Plans	140,440	4	291,369	9
Home Ownership Savings Plans	52,399	7	46,436	7
	$8,917,866	934	$8,965,279	1,023

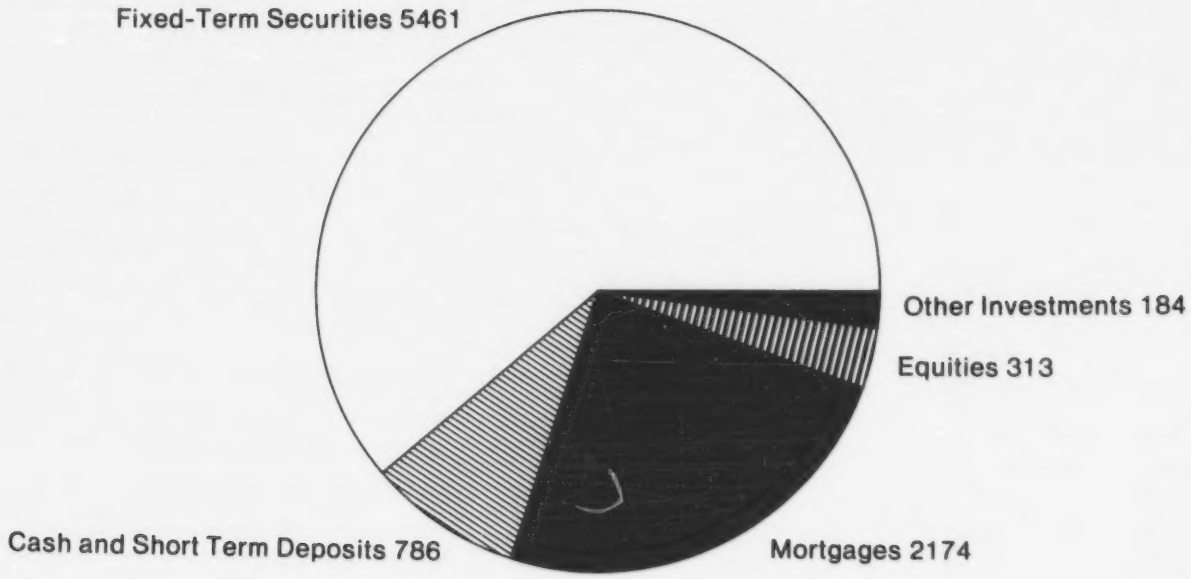

SASKATCHEWAN DEVELOPMENT FUND
SHAREHOLDERS' EQUITY
(Millions of Dollars)
20
18
16
14
12
10
8
6
4
2
0
1980
1981
1982
1983
1984
1985
1986
1987
YEARS


SASKATCHEWAN DEVELOPMENT FUND
SHARE PRICE AT DECEMBER 31
AND NUMBER OF SHAREHOLDERS
6.5
6.0
5.5
5.0
4.5
4.0
3.5
4000
3500
3000
2500
2000
1500
1000
PRICE ($)
SHAREHOLDERS
1980
1981
1982
1983
1984
1985
1986
1987
YEARS

SASKATCHEWAN DEVELOPMENT FUND

Where the Funds Are Invested

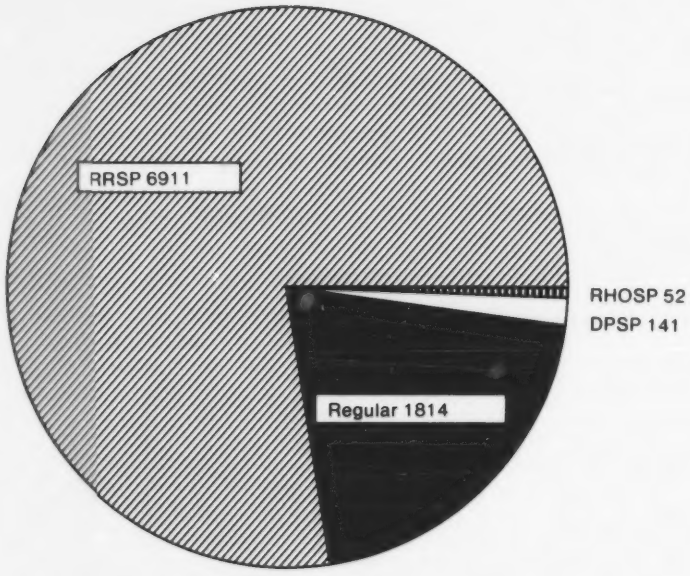
(in thousands of dollars)



SASKATCHEWAN DEVELOPMENT FUND

Breakdown By Plan Type

(in thousands of dollars)



MANAGEMENT'S RESPONSIBILITY for FINANCIAL REPORTING in the ANNUAL REPORT

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Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Fund maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Fund.

Arscott & Partners, the Fund's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund.

W. B. Gibson,
General Manager,
Saskatchewan Development Fund Corporation.

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of assets and liabilities of the Saskatchewan Development Fund as at 31 December 1987 and the statements of earnings, change in net assets and realized gain on sale of investments for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Saskatchewan Development Fund as at 31 December 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arscott & Partners

Regina, Saskatchewan
17 February 1988

Arscott & Partners,
Chartered Accountants.

SASKATCHEWAN DEVELOPMENT FUND

STATEMENT OF ASSETS AND LIABILITIES

As at December 31

	1987	1986
ASSETS		
Investments at market value (Note 1 & Schedule)	$ 7,947,786	$ 6,016,896
Cash and short-term deposits	785,939	2,899,682
Interest receivable	166,054	107,801
Due from Saskatchewan Development Fund Corporation	20,111	2,104
	8,919,890	9,026,483
LIABILITIES		
Payable for shares of the Fund redeemed	2,024	58,862
Other accounts payable	—	2,342
	2,024	61,204
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY 1,394,949 shares (1986-1,456,669 shares) (Notes 3 & 4)	$ 8,917,866	$ 8,965,279
NET ASSET VALUE PER SHARE	$ 6.39	$ 6.15

APPROVED ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

STATEMENT OF EARNINGS

Year Ended December 31

	1987	1986
Income:		
Interest	$ 800,005	$ 818,828
Dividends	15,875	26,000
	815,880	844,828
Expenses: (Note 7)		
Management fee (Note 8)	48,889	62,363
Other expenses	3,086	3,872
	51,975	66,235
Net earnings for the year	$ 763,905	$ 778,593

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

STATEMENTS OF CHANGE IN NET ASSETS AND REALIZED GAIN ON SALE OF INVESTMENTS

Year Ended December 31

	1987	1986
CHANGE IN NET ASSETS		
Net assets at beginning of year	$8,965,279	$8,692,899
Net earnings for the year	763,905	778,593
Net realized gain on sale of investments	517,393	413,049
	10,246,577	9,884,541
Less:		
Cost of shares redeemed	1,168,481	874,620
Net unrealized depreciation of investments	160,230	44,642
	1,328,711	919,262
Net assets at end of year	$8,917,866	$8,965,279
Net asset value per share	$ 6.39	$ 6.15
REALIZED GAIN ON SALE OF INVESTMENTS		
Proceeds from sale of investments	$4,920,514	$6,994,814
Cost of investments sold during the year*	4,403,121	6,581,765
Net realized gain on sale of investments	$ 517,393	$ 413,049
*Cost of Investments Sold During The Year		
Cost of investments at beginning of year	$5,789,974	$7,898,316
Cost of investments purchased during the year	6,532,601	4,508,770
Collection of principal on mortgages	(38,360)	(35,347)
	12,284,215	12,371,739
Cost of investments at end of year	7,881,094	5,789,974
Cost of investments sold during the year	$4,403,121	$6,581,765

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 1987

1. Summary of Accounting Policies:

The following accounting policies are considered to be significant:

Valuation of investments –

The market value of the Saskatchewan Development Fund's investments is determined monthly as follows on the advice of the Investment Manager, Investment and Financial Services Branch of the Department of Finance, Province of Saskatchewan:

a) Short term deposits are valued at cost. This valuation approximates their quoted market value.

Securities listed upon a recognized public stock exchange are valued at their closing price on the valuation date.

Securities not traded on that date are valued at a price between the latest closing recorded asked and bid prices.

Mortgages are valued at their net present value by discounting their stated rates of return to current required rates of return.

b) Securities not listed upon any exchange are valued in the same manner based upon any available public quotation in common use or at a price estimated to be the true value thereof.

Investment transactions and income –

Investment transactions are accounted for on the trade date. Interest income is accrued monthly and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated in accordance with the average cost method.

2. Status of the Fund:

The Saskatchewan Development Fund (the Fund) was established as an open-end investment trust in 1974 pursuant to the Saskatchewan Development Fund Act and is managed under the auspices of the Saskatchewan Development Fund Corporation which performs the duties of trustee, custodian and manager for the fund. On July 15, 1983, the Saskatchewan Development Fund discontinued the sale of new shares and became a "discontinued open end" investment trust.

3. Taxation:

The Fund qualifies as a mutual fund trust under the Income Tax Act and is fully registered to administrate five types of equity accounts. These are registered retirement savings plans, registered home ownership savings plans, deferred profit sharing plans, registered retirement income funds and regular shareholder accounts.

4. Shareholders' Equity:

a) Shareholders' equity includes the amounts representing the shareholders' net initial investments, reinvested earnings, realized gains (losses) on sale of investments and unrealized appreciation (depreciation) of investments.

b) The shares of the Fund are redeemable at the option of the holder in accordance with the provisions of the Saskatchewan Development Fund Act and with respect to the taxation status of the shareholder's account. The Fund is now a "discontinued open end" investment trust and has taken on no new contributions since July 15, 1983 except where contractual arrangements had been made prior to July 15, 1983.

5. Net Asset Value Per Share:

The net asset value per share as at the end of the last five completed financial years of the Saskatchewan Development Fund was as follows:

	Year ended December 31				
	1987	1986	1985	1984	1983
Net asset value per share	$6.39	$6.15	$5.90	$5.27	$5.16

6. Net Earnings Per Share:

The following are the net earnings per share of the Saskatchewan Development Fund for the years indicated based on the average number of shares outstanding during the year:

	Year Ended December 31				
	1987	1986	1985	1984	1983
Net earnings per share (in cents)	89.4	81.7	52.8	54.6	56.5

7. Expense Ratio:

The following is the ratio of all expenses of the Saskatchewan Development Fund expressed as a percentage of the average of the net assets calculated for the purpose of the redemption of shares of the fund as at each valuation date of the fund.

	Year ended December 31				
	1987	1986	1985	1984	1983
Expense ratio	0.56%	0.75%	1.01%	2.93%	2.78%

8. Management Fee

The Saskatchewan Development Fund Corporation recovers the costs it incurs in the management of the Saskatchewan Development Fund by charging the fund a management fee. This fee is limited by the Saskatchewan Development Fund Act to the lesser of 1¼% of the net value of the assets of the fund or those corporate expenses directly attributable to the management of the fund on an annual basis.

9. Comparative Figures

The 1986 comparative figures were examined and reported on by an auditor other than Arscott & Partners.

SASKATCHEWAN DEVELOPMENT FUND
MUTUAL FUND SECTION

SCHEDULE OF INVESTMENTS

December 31, 1987

Description	Rate	Maturity Date	Cost	Market Value
Federal, Provincial and Municipal Bonds				
Canada	10.00%	May 01/02	$ 471,875	$ 453,125
Saskatchewan	9.00%	Feb. 01/02	843,184	833,435
City of Regina	11.25%	Oct. 31/95	391,566	374,662
			1,706,625	1,661,222
Corporate Debentures				
Bank of Nova Scotia	9.60%	Dec. 31/91	513,500	484,350
Canadian Utilities	12.00%	Oct. 15/07	500,000	522,500
Great West Life	12.75%	Nov. 15/93	500,000	537,650
Nova	11.95%	Oct. 01/07	495,500	512,500
Sask Wheat Pool	9.875%	Aug. 01/97	137,000	129,136
Xerox Financing	12.15%	Oct. 15/07	500,000	525,000
			2,646,000	2,711,136
Convertible Debentures				
Alberta Energy Corporation	7.25%	Sep. 30/03	500,000	440,000
Norcen Energy	6.00%	Dec. 15/06	250,000	298,750
Pacific Western Airlines	7.625%	Dec. 30/96	350,000	350,000
			1,100,000	1,088,750
Shares				
12,500 Laidlaw Convertible Preferred			250,000	312,500
Mortgages				
First City Trust	10.50%	Oct. 01/88	496,929	494,365
Morguard Trust	10.75%	Aug. 01/88	472,849	470,944
Morguard Trust	10.50%	Aug. 01/89	20,526	20,367
Morguard Trust	10.75%	Oct. 01/88	457,153	454,812
Morguard Trust	11.875%	May 01/92	206,677	210,829
Morguard Trust	10.75%	Jun. 01/88	198,040	198,036
Morguard Trust	10.50%	Jun. 01/88	95,641	95,361
Toronto-Dominion Bank	10.50%	Oct. 01/88	230,654	229,464
			2,178,469	2,174,178
			$7,881,094	$7,947,786